Anthem-WellPoint Merger Undertakings

2005 Annual Compliance Report

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EXECUTIVE SUMMARY

This 2005 Annual Compliance Report is in response to Undertaking 22 of the document entitled "Undertakings Provided as Part of Blue Cross of California's Notice of Material Modification Regarding Proposed Change in Control of Ultimate Parent Company," dated November 30, 2004. Undertaking 22 reads:

> "During the Merger Debt Period, Blue Cross shall file annually with the Department **a report demonstrating compliance** with each of the Undertakings set forth herein and **describing what it believes to be the benefits to Californians** that have ensued from the Merger. Such reports are in addition to, and do not supersede, any other reports the Director may require pursuant to the Knox-Keene Act, including reports related to a financial examination or a medical survey conducted pursuant to sections 1382 and 1384 of the Knox-Keene Act."

Demonstration of Undertakings Compliance

Blue Cross of California (BCC) has instituted rigorous policies, procedures and oversight mechanisms in order to assure and demonstrate ongoing compliance with the Undertakings. Further information regarding Undertaking compliance is provided within the "Internal Audit and Compliance Overview" section on page 11, and a full report on the Undertakings begins on page 13.

Benefits to Californians Resulting from the Anthem – WellPoint Merger

The 2004 Anthem – WellPoint Merger brought together two of the strongest health benefits companies in the nation -- companies that had historically led the industry in attracting and retaining new members and that had a mutually strong commitment to provide quality care at an affordable cost to those members. WellPoint and Anthem had ranked first and second in membership growth among major health benefits companies since 1996.

A key to success in past mergers, and one of the most important aspects of this Merger, was the belief by both Anthem and WellPoint that a local approach is imperative to

running each respective organization. To that end, the BCC management team continues to be headquartered here in California and is well positioned to identify and address the specific needs of our California customers.

While the corporate parent's name changed from WellPoint Health Networks Inc. to WellPoint, Inc., and the corporate parent's headquarters moved from Thousand Oaks, California to Indianapolis, Indiana, our commitment in November 2004 was that the Merger would not fundamentally change the local nature of BCC's operations. In fact, the Merger has made BCC even stronger in California because of the access to best practices and efficiencies available to BCC as part of the new WellPoint organization.

Post-Merger, BCC and WellPoint have continued their dedication to long-standing commitments to our members and the state of California, as evidenced by the following:

Involvement in the community and traditions of serving the community through charitable giving and public health initiatives….

BCC and WellPoint have continued a proud tradition of community involvement and significant contributions to improve the quality, availability and affordability of health care and contribute millions of dollars each year in support of this effort. Key highlights in 2005 were:

Donation to "Insuring Healthy Futures" – $15 Million Donation

In order to expand health care coverage for California's uninsured and underinsured children's population a **$15 million donation** was made by the WellPoint Foundation to increase Medi-Cal and Healthy Families enrollment in California. The contribution was used to support and provide outreach services for enrollment activities. A $5 million payment was made by the WellPoint Foundation in May 2005; a $5 million payment made in July 2005; and the final installment is scheduled for payment in July 2006.

Investment in a Healthy California Program – $200 Million Investment

In accordance with Undertaking 16 and Exhibit A, BCC has established the Investment in a Healthy California Program (IHCP). The objectives of the IHCP are:

1. To provide a means to identify and foster ***safe and sound*** investment opportunities that are currently under-invested in by traditional sources of investment capital;

2. To increase capital and funding to ***low-income urban*** and ***rural underserved*** California communities; and

3. To address health care infrastructure that makes health care resources ***more accessible*** and ***improves the quality of care*** for all Californians.

BCC invested significant time and resources into the myriad tasks necessary to establish a program of this magnitude. All of the Program documents (e.g., program description, objectives, roles and responsibilities, governing documents, investment policies and procedures) were developed in a collaborative effort with the various state regulatory agencies. In addition, Ennis Knupp & Associates, an outside expert with experience in establishing similar programs, was retained at the expense of BCC to assist with the development of the overall structure.

A twelve-person Advisory Committee was established to provide strategic direction and oversight to the IHCP. Nominations were solicited from various agencies and consortia representing foundations, clinics and hospitals. Twelve candidates were selected to serve as Advisory Committee members. The members represent a balance between type of entity (clinics, hospitals, foundations/other), target population served (low-income and/or rural), and geographical area represented (Northern, Central and Southern California). The Department of Managed Health Care and the California Department of Insurance provided input on the composition of this Committee, and a number of state regulatory agencies participate in the IHCP and attend Advisory Committee meetings without having a voting status.

McDonnell Investment Management, LLC, was selected to serve as the IHCP's investment advisor. This firm provides significant experience and research expertise that is crucial to the success of the Program. McDonnell is a registered investment advisor, providing customized investment management services to institutions, private clients and mutual fund companies. As an investment advisor, McDonnell provides professional portfolio management and related investment management services and receives an investment management fee for such services. McDonnell is not a broker-dealer and does not receive compensation (i.e., commissions) associated with the purchase or sale of individual securities. McDonnell is 100% employee owned (not owned by a bank, insurance company or other financial service company) and is one of the largest independent investment management firms in the country that specializes in institutional fixed income management.

After the infrastructure for the Committee was established, as described above, the inaugural meeting of the IHCP Advisory Committee was held on September 16, 2005. This meeting served as the official launch date of the IHCP and all corresponding guidelines, policies and procedures. The 20-year life of the IHCP began on the date of the first meeting of the Advisory Committee rather than the date of the approval of the Merger, thus ensuring that low-income urban and rural underserved Californians received the benefits of the Program for the full 20-year term outlined in Exhibit A.

BCC and the IHCP Investment Advisors have been actively pursuing investments that qualify under the Program. A number of investments have been purchased into the

IHCP Investment Portfolio totaling approximately **$75 million of the $200 million goal**, and BCC anticipates that it will be fully invested by the end of the third year of the IHCP.

A significant amount of time and effort has been expended by BCC and the Investment Advisors to work with and educate the health care, investment banking and financing communities on the existence and goals of the Program. We also contacted a number of state agencies such as the California Office of Statewide Health Planning & Development (Cal-Mortgage Division) and the California Health Facilities Financing Authority, as well as the joint powers authority California Statewide Communities Development Authority (CSCDA), to solicit their support and involvement in the Program.

Investment Community contact highlights include meetings with municipal dealers and investment banking firms to make them aware of IHCP's interest in target healthcare investments. The Investment Advisors will also work to help structure investments for qualification in the Program. This might include private placements, bond pools or direct loan programs, credit enhancements, etc.

While not an exhaustive list of contacts, it exemplifies the breadth and scope of our efforts to involve constituents from both the public and private sectors to achieve true gains in improving health care for low income and rural underserved Californians.

It is important to note that nearly all of the contacts expressed their interest in working with BCC to identify or develop investment opportunities, and a number of potential partners in the financing community have indicated their ability and desire to aggressively identify potential investments. In addition, BCC is working closely with these institutions to explore alternative financing arrangements that both meet the established criteria of the Program as well as complement traditional bond offerings.

Again, BCC confirms its commitment to be fully invested by the end of the third year of the IHCP and is confident that this goal will be achieved.

Leadership in State programs….

BCC and its Medi-Cal operating subsidiary, BCC Partnership Plan, continue to provide outstanding support to its members in Medi-Cal, the Healthy Families Program, AIM (Access for Infants and Mothers), and MRMIP (California Major Risk Medical Insurance Program).

Total State Sponsored Business (SSB) membership in California **grew by 5%** in 2005:

Program	2005 vs 2004
Medi-Cal	**5%**
Healthy Families Program	**8%**
AIM *	**(35%)**
MRMIP **	**(2%)**
Total	**5%**

* AIM membership decreased by 35% because newborns in this category are now being enrolled into the Healthy Families Program which is a state mandated change. Thus, when the 2 year olds leave the AIM plan they are not being replaced with new newborns, resulting in lower membership over time.

** It is important to note that BCC is responsible for **over 50% of the total MRMIP membership** which provides health care coverage for Californians who are otherwise unable to obtain coverage in the individual health insurance market.

The SSB Division manages health care products that include Medicaid, State Children's Health Insurance Program (SCHIP), and other publicly funded programs including Administrative Services Only (ASO) for low income and uninsured populations such as County Medical Services Program (CMSP) in California. Since our entry into the Medi-Cal managed care arena in 1994, WellPoint's SSB has established programs throughout California, Connecticut, Massachusetts, Puerto Rico (joint venture), Virginia, and West Virginia. In late 2006, WellPoint SSB will also enter Texas, specifically the Dallas region.

Today, SSB partners with over 33,000 healthcare providers and serves approximately 1.7 million members, **making WellPoint the nation's largest Medicaid managed care company.**

Continued improvements in quality of care….

Quality of Care Spending Goal

BCC's goal is to increase its quality of care spending by 50% over 2004 levels by the end of the Merger Debt Period established by the Undertakings (November 30, 2007).

At year-end 2005, BCC had already reached **58% of this total spending goal**.

Ensuring Quality of Care For Our Members

BCC is dedicated to providing innovative, consumer-focused solutions that improve our members' health care. In partnership with physicians, hospitals and other health care professionals, we offer a wide range of programs and initiatives that aim to improve health care delivery and enhance quality.

Here are some highlights of how BCC strives to support quality of care decisions between patients and their doctors.

Improving BCC Quality Performance

BCC is an industry leader in quality measurement among HMO members, and has pioneered provider rewards programs designed to provide meaningful financial incentives to medical groups by measuring and rewarding quality and satisfaction.

- BCC developed the largest Pay for Performance Program in the United States. In 2005, we increased our Quality Incentive Program payments to our contracted HMO network medical groups by 34% for a total quality bonus of $66 million.
- BCC's bonuses to the network medical groups and IPAs made BCC the majority funder of the Integrated Health Association (IHA) Pay for Performance Program. BCC funded 60% of the total dollars in absolute terms and 35% of the per-member-per-month (PMPM) payment for the program. Our membership in the IHA program constitutes only 20% of the total HMO membership.
- These incentive payouts outpaced all other health plans in California.
- BCC's investment has resulted in higher rates of satisfaction and quality for our members.
- The number of groups participating in the program increased from 75 to 135 in 2004, and grew to more than 170 for 2005.

BCC Quality Improvement Programs are Targeted to Both Members and Providers

BCC offers a wide range of programs designed to improve our members' health in partnership with our physicians.

Childhood obesity has been documented as one of California's most critical health issues impacting thousands of school age children.

BCC's Childhood Obesity Program provides physician training, education and weight management resources for members and outreach to elementary schools.

- In 2005, one of our first steps was to develop and distribute Childhood Obesity toolkits to 12,000 pediatricians and family practice physicians. The toolkits included reference materials and tools to assist physicians in discussing the sensitive subject of childhood obesity with parents and caregivers.
- BCC also launched the Kids in Charge of Kalories (KICK) program that encourages children and their families to engage in healthy eating and increase physical activity. BCC distributed educational materials to more than 1,500 children and completed nearly 2,000 outreach phone calls to targeted members.

- In addition, BCC partnered with the American Heart Association to sponsor their *Jump Rope for Heart* program scheduled to reach more than 1.9 million elementary school children in California.

In September 2005, BCC participated in the California Governor's Obesity Summit in Sacramento and was placed on the Governor's honor roll for BCC's significant commitment to address the obesity epidemic in California.

Behavioral Health Initiatives are aimed at improving treatment outcomes by targeting the following areas:

- Enhancement of "7-Day Follow-up After a Mental Health Hospital Stay": Timely outpatient treatment after discharge from a mental health hospital is important to continue the treatment program that was started in the hospital. Outpatient treatment focuses on helping the member transition back into their work and home life and continue psychotherapy and any medication that was started in the hospital. This program was enhanced by adding more staff to assist members in this transition and providing an attractive financial incentive bonus to physicians who see members within seven days of discharge.
  - Initial results indicate BCC's seven-day follow-up rate is 12% higher than the California average. BCC is very excited about these initial results and is monitoring the program aggressively to maintain momentum. Preliminary results, based on the first six months of monitoring, indicate that our seven-day follow-up rate has increased more than 20 percentage points, having gone from a baseline of 43% to an average of 64%.
  - Initial feedback from our hospital partners has been very positive. Our offer to take responsibility for connecting members to providers is being met with much enthusiasm and hospitals are readily making use of this service.
- Expansion of the "Co-existing Depression and Anxiety Program" to encompass many of the most common chronic medical diagnoses.
- Treatment of Depression Initiative: The program goal is to improve the treatment of depression so that members get the most benefit. Treatment of depression often includes both medication and psychotherapy. Many people stop their antidepressant prematurely which increases their risk of relapse of depression. This program uses a series of mailings and calls to members to educate them about the importance of treatment compliance and to address common problems members have while taking antidepressant medication. BCC sends "new start" letters to all members started on an antidepressant medication and recently instituted a pilot program using automated interactive voice technology. During the pilot period, BCC contacted 51% of our targeted population, and out of those reached, 95% continued with the call and received additional educational information.

The Last Cigarette (TLC): As a result of BCC's smoking cessation program and the continued identification of smokers through BCC programs:

- Over 3,000 TLC Quit Kits were distributed to BCC members during 2005.
- Over 2,300 of those members were coached on tobacco cessation; of these, approximately 500 (22%) attempted to quit smoking! BCC health coaches, case managers and nurse advisors track quit attempts through member self-report, typically on the phone during a coaching session.

Health Improvement Programs: Through BCC's ongoing health improvement initiatives, we focus on specific chronic conditions (asthma, diabetes and congestive heart failure) through mail- and telephone-based coaching, support and information to our members.

The Harvard Medical School's Department of Healthcare Policy recently recognized BCC for programs designed to improve the quality of care delivered to members with chronic illness.

BCC continues to offer a large network of physicians and hospitals and access to care through those networks. BCC also continues to offer all products which were available prior to the Merger. No BCC contracts have been removed from our product offering portfolio since the Merger.

Conclusion

BCC and WellPoint are proud of our accomplishments in the areas of health care quality improvement and serving not only our members but local communities and the state of California. We will continue to be dedicated to these important issues throughout the term of the Undertakings and beyond.

The following compliance report demonstrates to the Department and the public our commitment to fulfilling the agreements made in November 2004.

INTERNAL AUDIT AND COMPLIANCE OVERVIEW

BCC has instituted rigorous policies, procedures and oversight mechanisms in order to assure and demonstrate ongoing compliance with the Undertakings.

The Undertakings have been reviewed from several perspectives:

1. A legal perspective – to assure accurate legal interpretations are made.

2. A responsibility perspective – to assure the proper management staff are named and accountable.

3. A compliance perspective – to assure the appropriate operating policies and procedures, as well as supporting documentation, are in place.

4. A validation perspective – to assure the necessary controls are in place to ensure accuracy and consistency of compliance.

Each Undertaking has been assigned at least two levels of responsibility consisting of individuals at the very top of the company's organizational structure:

Level 1: The Officer-level individual(s) responsible within the BCC organization, and

Level 2: The WellPoint Executive Leadership Team (ELT) member who serves in an oversight capacity. The ELT members include the Chairman, President and CEO of WellPoint, Inc., and the Officers who report directly to him, one of whom is the President and CEO of Blue Cross of California.

Status updates for each Undertaking are reported by the Responsible Officers on a monthly basis, and each Undertaking must have documentation in place in order to support compliance. Examples of such documentation are policies, procedures, work plans, financial schedules, reports, certifications, formal letters, and regulatory filings. Every supporting document is carefully reviewed, catalogued, and assigned a document control number for tracking and reference purposes. The Undertakings Status Report (see Attachment 1) is distributed to over sixty WellPoint management staff each month.

As an added step toward assuring compliance, a compliance validation of various Undertakings was completed by WellPoint's Internal Audit Department in 2005. This validation process will continue to be conducted throughout the Merger Debt Period.

And finally, a back-end tracking system has been created and implemented to monitor the various regulatory filings required by the Undertakings and to ensure those filings are prepared, approved, and filed with the Department on a timely basis.

To ensure accuracy and consistency, all of the above activities are coordinated and monitored in a central location under the leadership of WellPoint's Vice President and Deputy General Counsel.

UNDERTAKINGS STATUS REPORT

Undertaking 1:

BCC and Anthem undertake the following:

(a) All of the change in control severance payments and retention bonus payments payable by reason of the Merger under the terms of the WellPoint Health Networks Inc. Officer Change in Control Plan and the other arrangements described in pages 69 through 72 of the Joint Proxy Statement/Prospectus of WellPoint and Anthem relating to the Merger dated May 11, 2004, (together, CIC Plan) will be the sole payment responsibility of Anthem;

(b) Anthem will have on hand cash immediately prior to the closing of the Merger, which is adequate to timely discharge all obligations relating to the Merger which may arise under the CIC Plan;

(c) No amounts relating, directly or indirectly, to the CIC Plan will be the obligation of BCC;

(d) No such amounts will be charged to or made the responsibility of BCC, directly or indirectly, under any reimbursement or cost allocation arrangement;

(e) BCC shall not be responsible for any similar change in control or severance payments owed by Anthem by reason of the Merger to Anthem's officers, directors, and key management; and,

(f) Anthem will have on hand cash immediately prior to the closing of the Merger that is adequate to timely discharge all such obligations of Anthem.

Response:

WellPoint, Inc. (WellPoint) and Blue Cross of California (BCC) confirm compliance with this Undertaking.

All CIC Plan payments have been made by WellPoint, not BCC, as of November 30, 2005 and are supported by a Summary of CIC Plan Payments and CIC Plan Funding schedule which is reviewed by WellPoint's Corporate Controller on a monthly basis. In addition, policies and procedures are in place to ensure that CIC Plan payments continue to be made by WellPoint and that no CIC Plan payments are made by BCC in the future. An internal audit of the policies, procedures and transactions has been performed.

At year-end 2005, total CIC Plan payments made by WellPoint to BCC associates totaled approximately $144 million.

Undertaking 2:

BCC will not declare or pay dividends, make other distributions of cash or property, or in any other way upstream any funds or property to Anthem or any of its affiliates (Affiliate Company Distributions), if such actions would do the following:

(a) Cause BCC to fail to maintain at all times the greater of the following:

(i) 150% of the minimum tangible net equity (which annualized amount shall be calculated by multiplying the applicable current quarter revenues and expenditures by four) required by Rule 1300.76 of the Knox-Keene Act in effect as of the date of this Undertaking (as of December 31, 2003, 150% of minimum tangible net equity was $414.2 million);

(ii) 100% of minimum tangible net equity as may be required following any future amendment to Rule 1300.76 of the Knox-Keene Act, or any successor regulation; or

(iii) the amount required by the Blue Cross Blue Shield Association (BCBSA) to avoid loss of BCC's license to use the Blue Cross name and mark in California, unless BCC otherwise determines it no longer wishes to operate under the Blue Cross name and mark in California, whichever is greater (as of December 31, 2003, the minimum capital amount required to avoid loss of BCC's BCBSA license was $460 million);

(b) Result in insufficient working capital or insufficient cash flow necessary to provide for the retirement of existing or proposed indebtedness of BCC, as

required by title 28, California Code of Regulations, section 1300.75.1(a); or

(c) Adversely affect the ability of BCC to provide or arrange health care services in accordance with the requirements of the Knox-Keene Act or the regulations adopted under the Knox-Keene Act.

Additionally, with respect to Affiliate Company Distributions made in calendar years 2004, 2005 and 2006, BCC will not make any Affiliate Company Distributions in any such calendar year if they exceed 79% of BCC's operating income for the year prior to the calendar year of the Affiliate Company Distribution (the Limiting Percentage).

The Limiting Percentage is the average of the annual percentage that BCC dividends actually paid in each year from 2000 through 2003 bears to BCC's net income for the years prior to the years in which the dividends were paid (1999 through 2002), calculated as follows:

(a) In 1999 BCC reported $253 million in net income and in 2000 paid $280 million in dividends, representing an amount deemed to be 100% of the prior year net income.

(b) In 2000 BCC reported $349.6 million in net income and in 2001 paid $290 million in dividends, representing 83% of prior year net income.

(c) In 2001 BCC reported $314.8 million in net income and in 2002 paid $202 million in dividends, representing 64% of prior year net income.

(d) In 2002 BCC reported $434.6 million in net income and in 2003 paid $300 million in dividends, representing 69% of prior year net income.

The average annual percentage that dividends paid bears to prior year net income for the years 2000-2003 equals 79% of BCC's net income.

The Limiting Percentage, if applied to BCC's 2003 net income, would limit BCC to paying dividends of $362.9 million in 2004, leaving BCC at year-end 2004 (based on annualizing BCC results reported to the Department to date) with tangible net equity of $1.416 billion.

For purposes of this Undertaking 2, "Affiliate Company Distributions" shall not be deemed to refer to payments made under the terms of any administrative services agreement or tax sharing agreement which has been filed with and received prior approval from the Department.

Response:

WellPoint and BCC confirm compliance with this Undertaking.

Appropriate policies and procedures are in place to ensure WellPoint and BCC review the requirements of Undertaking 2 after year-end financial statements are filed.

Additionally, WellPoint provided a copy of financial calculations validating compliance with Sections (a) through (c) to the Department prior to payment of a $518 million dividend on August 25, 2005. The documentation included the following calculations: As of June 30, 2005 (the most recent quarterly financial filing prior to the dividend payment date), 150% of minimum tangible net equity was $448.2 million and the minimum capital amount required to avoid loss of BCC's BCBSA license was $517 million.

Undertaking 3:

BCC will not make any Affiliate Company Distributions if such actions would result in BCC failing to maintain Liquid Assets (as defined) in an amount that equals or exceeds 150% of BCC's average monthly Total Expenses (as defined) for the last two consecutive quarters for which financial statements have been filed with the Department immediately prior to the date on which BCC makes the Affiliate Company Distribution.

For purposes of this Undertaking, the following definitions apply:

(a) "Liquid Assets" shall equal the total of cash and cash equivalents (as reported on line 1 of Report #1 – Part A: Assets, as set forth in the Quarterly Financial Report filed with the Department by BCC), short-term investments (as reported on line 2 of Report # 1) and restricted assets (as reported on line 12 of Report # 1); and

(b) "Total Expenses" shall be equal to the amounts reported on line 33 of Report # 2: Revenue, Expenses, and Net Worth, as set forth in the Quarterly Financial Report filed with the Department by BCC. 150% of BCC's average monthly Total Expenses (as defined), based on the two most recent Quarterly Financial Reports filed by BCC with the Department (for the quarter ended December 31, 2003 and for the quarter ended March 31, 2004) was $1,174.6 million. In each Quarterly Financial Report filed with the Department, BCC shall include a calculation showing the total Liquid Assets on hand at the end of the calendar quarter covered by such Quarterly Financial Report and 150% of the average monthly Total Expenses incurred during the calendar quarter covered by such Quarterly Financial Report and the immediately preceding calendar quarter.

Response:

WellPoint and BCC confirm compliance with this Undertaking, and appropriate policies and procedures are in place.

Note 9 to the Financial Statements of BCC's quarterly financial filings includes a calculation showing BCC's compliance with sections (a) and (b) of Undertaking 3. BCC provided this information to the Department prior to the 2005 dividend payment referenced in Undertaking 2, and has procedures in place to ensure proof of compliance is provided to the Department prior to any future dividend or other distribution to WellPoint.

Undertaking 4:

BCC will not take any of the following actions without the Department's prior written approval:

(a) Co-sign or guarantee any portion of any current or future loans and/or credit facilities entered into by Anthem or any of Anthem's affiliates;

(b) Permit any portion of loans obtained by Anthem or any of its affiliates to be assumed by BCC; or,

(c) Allow a pledge or hypothecation of BCC's assets or capital stock in any way in connection with any current or future loans of Anthem or any of its affiliates.

(d) Borrow any funds or otherwise incur any indebtedness for the purpose of making any Affiliate Company Distribution, except any Affiliate Company Distribution that is made in compliance with Undertaking 2 above, or a payment made pursuant to any written agreement between or among BCC or its affiliates.

Anthem's affiliates include but are not limited to AHC.

Response:

WellPoint and BCC confirm compliance with this Undertaking, and appropriate policies and procedures are in place.

In BCC's quarterly financial filings, these transactions must be disclosed in "Notes to the Financial Statement." No such disclosures have been necessary to date.

Undertaking 5:

In connection with each Quarterly Financial Report filed with the Department by BCC, BCC shall file with the Department, on a confidential basis, a schedule that reports the estimated range of incurred-but-not-reported claim liability at the end of each such quarter and the amount of incurred-but-not-reported claim liability reported on line 4 of Report #1 – Part B: Liabilities and Net Worth, of the Quarterly Financial Report filed with the Department by BCC for such calendar quarter.

The estimated range of incurred-but-not-reported claim liability at the end of each such quarter shall be prepared as follows:

(a) By BCC's independent public accounting firm, as part of such firm's review of BCC's interim financial statements;

(b) By BCC and reviewed by BCC's independent public accounting firm, in the ordinary course of business, as part of such firm's review of BCC's interim financial statements; or,

(c) Prepared or reviewed by BCC's independent public accounting firm, as part of such firm's audit of BCC's year-end financial statements.

In the event BCC's independent public accounting firm does not agree to provide the Department with this prepared or reviewed range, then BCC shall obtain, provide, and include as part of its required financial filings, an estimated range from an independent actuarial firm acceptable to the Department.

In connection with the making of this Undertaking, BCC has been informed by the Department that the Department will grant confidential treatment, to the extent permitted by law, to the information filed pursuant to this Undertaking 5 and will provide BCC with appropriate prior notice of any judicial or other effort to compel the Department to disclose this confidential information in accordance with California Code of Regulations, title 28, section 1007.

Response:

BCC confirms its compliance with this Undertaking.

In connection with each Quarterly Financial Report filed with the Department, BCC has filed the estimated range of incurred-but-not-reported claim liability at the end of each calendar quarter in the form of a certification letter prepared by BCC's independent public accounting firm.

The following certification letters have been filed with the Department:

Letter Prepared By	Period Ending	Date Filed
PriceWaterhouseCoopers	December 31, 2004	February 15, 2005
Ernst & Young	March 31, 2005	May 17, 2005
Ernst & Young	June 30, 2005	August 15, 2005
Ernst & Young	September 30, 2005	November 14, 2005
Ernst & Young	December 31, 2005	February 14, 2006

Undertaking 6:

BCC, Anthem, and AHC undertake that premiums payable by BCC subscribers and enrollees will not increase as a result of the Merger, and Anthem and AHC will provide a written commitment, addressed to the Director of the Department and executed by Anthem's and AHC's Chief Executive Officers, expressly to that effect. In order to demonstrate and assure compliance with this Undertaking and commitment, which will remain in effect during the Merger Debt Period (as defined below), BCC, Anthem and AHC will provide annual written certifications to the Department on the anniversary date of the Merger that:

(1) BCC's practices and methodologies for determining premium rates after the Merger have not varied from BCC's pre-Merger practices and methodologies;

Response:

WellPoint and BCC certify that BCC's practices and methodologies for determining premium rates have not varied from BCC's pre-Merger practices and methodologies.

(2) No debt rating factor relating to the indebtedness that Anthem has incurred to finance Anthem's cash requirements for the Merger has been included as part of such post-Merger practices and methodologies;

Response:

WellPoint and BCC certify that no debt-rating factor relating to the indebtedness that Anthem has incurred to finance Anthem's cash requirements for the Merger has been included in post-Merger practices and methodologies.

(3) BCC's practices and methodologies for determining products and benefit designs after the Merger have not varied from BCC's pre-Merger practices and methodologies;

Response:
WellPoint and BCC certify that BCC's practices and methodologies for determining products and benefit designs did not change after the Merger.

(4) BCC's administrative expense ratio has not exceeded pre-Merger levels without reporting to the Department as provided in Undertaking 14 below.

Response:
WellPoint and BCC certify that BCC's administrative expense ratio as defined in Undertaking 14 and as reported in BCC's quarterly financial report with the Department (Report #2, Lines 1, 4, 5 and 32 respectively) has not exceeded 13.31%.

Quarter To Date	Administrative Cost to Premium Revenue Ratio
1st quarter 2005	11.06%
2nd quarter 2005	11.06%
3rd quarter 2005	12.51%
4th quarter 2005	10.66%

(5) Anthem has paid all executive change in control severance payments and retention bonus payments made during the period of the certification by reason of the Merger as provided in Undertaking 1 above and, as represented in the Notice of Material Modification, the transaction expenses of the Merger have not been borne by BCC;

Response:
WellPoint and BCC certify that Anthem (WellPoint), not BCC, has paid all executive CIC Plan payments as of November 30, 2005 and the transaction expenses of the Merger have not been borne by BCC.

(6) Anthem had cash on hand immediately prior to the closing of the Merger that was adequate to discharge all obligations relating to the Merger and payable to officers and directors of Anthem and WellPoint, as required by Undertaking 1 above.

Response:
WellPoint and BCC certify that Anthem had cash on hand immediately prior to the closing of the Merger that was adequate to discharge all obligations relating to the Merger and payable to officers and directors of Anthem and WellPoint, as required by Undertaking 1.

(7) BCC's dividends have not exceeded the limitations in Undertakings 2 and 3 above;

Response:

WellPoint and BCC certify that BCC's dividends have not exceeded the limitations in Undertakings 2 and 3.

(8) BCC has filed with the Department each year an actuarial memorandum that certifies that no portion of the cost components of any premium rate charged for any individual or small group product offered in California by BCC includes a charge related to the financing of the Merger. BCC shall also certify annually to the Department (1) that no portion of the cost components of any rate or fee charged for any large group product offered in California by BCC includes a charge related to the financing of the Merger and (2) that no portions of the copayments, deductibles or similar features of any BCC products includes a charge related to the financing of the Merger and (3) in the event there were reductions in the level of reimbursement of BCC health care providers, as defined in Health and Safety Code Section 1345(i), such reductions were not attributable to the payments described in (5) above.

Response:

WellPoint and BCC certify that no portion of the cost components of any premium rate charged for any individual or small group product offered in California by BCC includes a charge related to the financing of the Merger.

WellPoint and BCC also certify that 1) no portion of the cost components of any rate or fee charged for any large group product offered in California by BCC includes a charge related to the financing of the Merger, and 2) no portions of the copayments, deductibles or similar features of any BCC products includes a charge related to the financing of the Merger, and 3) there were no reductions in the level of reimbursement of BCC health care providers attributable to the payments described in (5) above as these payments were made by Anthem.

In June 2005, the Department retained an actuarial audit firm, Leif Associates Inc., to conduct an independent on-site review of BCC's 2005 Individual and Small Group rate actions and pricing methodologies in order to validate that such premiums had not increased due to any costs of the Merger. The final audit report issued by Leif Associates on November 28, 2005 indicated there was no evidence that the 2005 Individual and Small Group rate actions were impacted by Merger costs, nor any evidence that BCC had altered its actuarial methodology and processes used in pre-Merger years when setting its 2005 Individual and Small Group premiums.

For purposes of these Undertakings, "Merger Debt Period" means the period beginning with the closing of the Merger and thereafter ending on the later of (1) the date three years following the closing of the Merger, or (2) the date when Anthem has made aggregate principal payments in respect of its or WellPoint's consolidated indebtedness equal to the aggregate principal amount of indebtedness incurred by Anthem to finance its cash requirements for the Merger ("Merger Related Indebtedness"), excluding, however, any principal payments that are "Refinancings" of Merger Related Indebtedness. A principal payment will be deemed to be a Refinancing of Merger Related Indebtedness if and to the extent that (x) Anthem borrows funds within thirty days before or after the date of the principal payment of Merger Related Indebtedness, and (y) the proceeds from the other borrowing are not specifically used for an identified purpose other than payment of Merger Related Indebtedness.

Response:

On a quarterly basis, WellPoint's Corporate Treasurer provides the Department with a financial schedule comprised of the principal payments made to date toward the amount of indebtedness incurred to finance the cash requirements for the Merger.

Upon issuance of each quarterly financial schedule, a meeting is held with the Department to review the schedule in detail, as well as the financial methodologies used by WellPoint in paying down the debt.

The indebtedness incurred to finance the cash requirements for the Merger was paid off in April 2006.

Undertaking 7:

BCC shall renew, and shall not terminate, any group or individual health care service plan contract prior to the expiration of its term, except as otherwise expressly permitted under the Knox-Keene Act, including sections 1357.11, 1357.53, 1357.54, 1358.8, 1358.17, 1365, 1366.27, 1373.6 and 1399.810 and Rules 1300.65 and 1300.67.4 of the Knox-Keene Act.

In addition, for a period of three (3) years following the effective date of the Merger, should BCC withdraw a health benefit plan from the market or cease to provide or arrange for the provision of health care services for new individual, small group, or large group health benefit plans in the State, if an enrollee then enrolled in an affected health benefit plan has a pre-existing condition and still has time remaining before she/he may receive treatment/therapy for that condition, BCC will waive the remaining time requirements for the pre-existing condition exclusion if the enrollee enrolls in another

health benefit plan of BCC or a California affiliate of BCC within the time requirements for eligibility for that BCC health benefit plan, as provided in the Knox-Keene Act, or as otherwise offered by BCC, if BCC decides to offer a longer period for eligibility.

Should BCC cease to provide or arrange for the provision of health care services for individual, small group, or large group health benefit plans in this state, any affected health benefit plan shall remain in effect and shall not be cancelled or not renewed by BCC (except as expressly permitted under the Knox-Keene Act), until the first renewal date for that health benefit plan that occurs on or after the expiration of the 180 days notice required under the Knox-Keene Act or any such additional time as the applicable subscriber contract may specify.

If BCC ceases to write, issue, or administer new group or individual health benefit plans in California, affected former subscribers of BCC will be provided the opportunity to elect continued coverage under the most nearly comparable health benefit plan (benefits, services, and terms) from BC Life or other California insurers affiliated with BC Life, with no underwriting as to the new health benefit plan for any health status related factors.

This Undertaking shall apply to other health care service plans doing business in California which are affiliates of BCC with regard to actions taken by such affiliated health care service plans in California.

Response:

BCC confirms its compliance with this Undertaking.

BCC Individual, Small Group, and Large Group lines of business continue to offer products for sale which were available prior to the Merger. No BCC contracts were removed from our product offering portfolio between November 30, 2004 and December 31, 2005.

In addition, all plans remain in force in accordance with the terms of the individual or group's agreement, and are renewable at their discretion. When agreements are not renewed or are terminated by BCC, these decisions are made as permitted under the Knox-Keene Act, including sections 1357.11, 1357.53, 1357.54, 1358.8, 1358.17, 1365, 1366.27, 1373.6 and 1399.810 and Rules 1300.65 and 1300.67.4 of the regulations promulgated under the Act.

The terms of the agreements state specifically the reason BCC may decline to renew or terminate coverage:

- Individual agreements state that BCC may terminate, cancel or decline to renew coverage for failure to pay subscription charges, return or dishonor of third check payment of subscription charges in any twelve month period,

fraud or deception on the behalf of the subscriber or dependents in submission of claims or use of services or facilities, or to effectuate the purposes of the Knox-Keene Act with the approval of the Director of the Department.

- Small Group agreements state that BCC may terminate coverage for the group's failure to pay subscription charges, failure to maintain minimum enrollment requirements or participation requirements, fraud or intentional misrepresentation by the contract holder or small employer, or to effectuate the purposes of the Knox-Keene Act with the approval of the Director of the Department. Should BCC terminate, cancel, or decline to renew coverage for any of these reasons, notice of cancellation would be issued to the agreement holder in compliance with Rules 1300.65 and 1300.67.4.

- Large Group agreements state that BCC may terminate, cancel, or decline to renew coverage due to the group's failure to pay subscription charges, failure to maintain minimum enrollment requirements, fraud or deception in the use of BCC's facilities, or to effectuate the purposes of the Knox-Keene Act with the approval of the Director of the Department. Should BCC terminate, cancel, or decline to renew coverage for any of these reasons, notice of cancellation would be issued to the agreement holder in compliance with Rules 1300.65 and 1300.67.4.

Undertaking 8:

An important premise of the approval of the Merger is that after the effective date of an Order of Approval for the change of control of BCC arising from the Merger, BCC will continue its historic role in serving the California marketplace, and its same marketplace approach.

Accordingly, after the effective date of an Order of Approval for the change of control of BCC arising from the Merger, and provided that the Merger is consummated, BCC will maintain its efforts in the areas of Medi-Cal, Healthy Families Program, AIM (Access for Infants and Mothers), and MRMIP (California Major Risk Medical Insurance Program) on the same basis as prior to the effective date of an Order of Approval for the change of control of BCC arising from the Merger, assuming the same market, economic, and other conditions that currently exist.

BCC advises the Department that the conditions it considers relevant under this Undertaking 8 include, but are not limited to: the reimbursement and compensation BCC receives; the scope and nature of services it must provide; the nature and adequacy of its provider network in any relevant service area; the structure, composition, and reimbursement payable to the health care providers supporting BCC's provision of products and services; and the substantive impact to the competitive

environment resulting from changes to the legislative and regulatory framework applicable to its operations or the specified state sponsored programs.

Response:

BCC confirms its compliance with this Undertaking.

BCC and its Medi-Cal operating subsidiary, BCC Partnership Plan, continue to provide outstanding support to its members in Medi-Cal, the Healthy Families Program, AIM (Access for Infants and Mothers), and MRMIP (California Major Risk Medical Insurance Program).

Total State Sponsored Business (SSB) membership in California **grew by 5%** in 2005:

Program	2005 vs 2004
Medi-Cal	**5%**
Healthy Families Program	**8%**
AIM *	**(35%)**
MRMIP	**(2%)**
Total	**5%**

* AIM membership decreased by 35% because newborns in this category are now being enrolled into the Healthy Families Program which is a state mandated change. Thus, when the 2 year olds leave the AIM plan they are not being replaced with new newborns, resulting in lower membership over time.

** It is important to note that BCC is responsible for **over 50% of the total MRMIP membership** which provides health care coverage for Californians who are otherwise unable to obtain coverage in the individual health insurance market.

The SSB Division manages health care products that include Medicaid, State Children's Health Insurance Program (SCHIP), and other publicly funded programs including Administrative Services Only (ASO) for low income and uninsured populations such as County Medical Services Program (CMSP) in California. Since our entry into the Medi-Cal managed care arena in 1994, WellPoint's SSB has established programs throughout California, Connecticut, Massachusetts, Puerto Rico (joint venture), Virginia, and West Virginia. In late 2006, WellPoint SSB will also enter Texas, specifically the Dallas.

Today, WellPoint SSB contracts with over 33,000 healthcare providers and serves approximately 1.7 million members, **making WellPoint the nation's largest Medicaid managed care company.**

The key elements of SSB's customer-focused success are:

Local Presence

Our community-based approach has helped SSB customize our programs and deliver a managed care product that truly makes a difference in the quality of members' lives. Partnerships are formed with advocacy groups, social service agencies, religious organizations, community leaders, schools, and health care providers.

We have developed unique Community Resource Centers (CRCs) which are storefront offices that give us a presence within the communities that each serves. The CRCs give providers, members, and community agencies a place where they can get face-to-face service regarding information about our health plans and community resources.

Through the use of two custom vans in California, SSB has outreach personnel traveling throughout the state offering education and onsite application assistance for California's Healthy Families and Medi-Cal Programs.

Medical Care Management

BCC's innovative SSB Medical Care Management programs ensure that members have access to comprehensive, appropriate services at an optimal level of care, while maintaining a cost-effective environment in order to promote positive health outcomes.

Some of the unique programs that SSB has launched for member outreach include asthma, AIDS, HIV, diabetes, preventive health care notices, initial health assessment, immunization, emergency room education, 24-hour nurse advice line, teen line, education on managed care, childhood obesity, new member orientation, and member rewards programs. All of these programs are designed to meet the special challenges of a culturally and linguistically diverse membership.

BCC's SSB Case Management is a multi-disciplinary process that involves coordination of health care for members with complex medical conditions. Case Management provides an individualized treatment plan for members.

Utilization Management ensures that members have access to comprehensive and appropriate services at an optimal level of care, while maintaining a cost-effective environment, in order to promote a positive health outcome.

Quality Management ensures that SSB's processes are performed in accordance with regulatory Department of Health Services, Department of Managed Health Care, and NCQA agencies.

BCC has been rated "EXCELLENT" by NCQA accreditation for our Medicaid Business in California, and WellPoint's Virginia operations have received new plan accreditation for that state.

Perinatal services include a prenatal program, high-risk case management, post-natal home visits, and a well-baby program.

BCC's SSB provider outreach program includes partnering with physicians to improve healthcare quality. Constructive peer pressure is used to modify the practices of providers who are out of step with their peers in areas such as emergency room visits, specialist referrals, and complex office visits. Training and testing materials ensure the quality of linguistic capabilities for member interface. Ongoing training and web-based eligibility and claims verification allow physicians to focus on the patient's healthcare rather then paperwork.

Contracting Flexibility

Contracting flexibility enables SSB to meet the unique needs of managed care in the public sector. The models offered by SSB provide a diversified mix of network-based health insurance products including open access Preferred Provider Organizations (PPOs), Exclusive Provider Organizations (EPOs), and Health Maintenance Organizations (HMOs).

Physician reimbursement is available on a capitation or fee-for-service basis. SSB also provides a performance incentive bonus program for physicians. Hospital reimbursement is on a case rate, per diem, DRG, or percent of billed charges.

Innovations

SSB continues to develop leading-edge programs to improve all facets of managed care programs, for example:

Telemedicine Program –

For the more than 3 million Californians living in rural communities, accessing timely, high quality medical care is a significant challenge. Because of the paucity of providers in the rural areas, accessing care requires traveling great distances and extensive wait times to even schedule an appointment. BCC's SSB Division is recognized as an industry leader in applying technology to address these barriers to access.

BCC is the only private health plan in California to develop, manage, and comprehensively support a statewide Telemedicine Program to improve access to care. Telemedicine is a unique healthcare delivery method to examine, diagnose, treat, and educate patients at remote locations by using high-speed communications systems, computer technology, and specialized medical cameras. For example, a patient in the

Sierra Mountains of California may receive consultations from a provider or specialist in Los Angeles or San Francisco without spending the time or money to travel. The BCC Telemedicine Program currently uses two telemedicine methods:

- Live Video Telemedicine – connecting the patient, the rural provider, and the specialist at the same time via video conferencing to discuss the patient's medical condition.

- Store and Forward Telemedicine – using software to store, encrypt and transmit pertinent medical data and images to the specialist for review and consultation.

BCC's Open Access Network Model for telemedicine creates a web of access points throughout the state based on a combination of strategic partnerships with successful existing telemedicine programs and sponsoring the creation of new telemedicine locations. The Open Access Telemedicine Network provides unprecedented health care flexibility in rural areas by:

- Fostering collaboration, peer review, and education opportunities between rural locations – to aid in care of the patient and eliminate professional isolation.

- Connecting rural providers to a variety of specialty resources around the state – if it is not available at one location, another site can be contacted for the consult.

- Enabling the program to grow and expand to meet the specific needs of the patients being served.

Currently the BCC Telemedicine Program Network consists of more than 50 rural locations providing access to more than 20 specialties.

To support the sustainability of the Telemedicine Network, BCC is committed to reimbursing both the rural providers and the specialists for both methods of telemedicine consults (Live Video and Store and Forward). Additionally, BCC provides discount programs and "per minute" reimbursement for the costly high-speed phone line charges needed to complete the consult. Finally, BCC also provides site fee reimbursement for certain telemedicine services to address the operational aspects of completing the telemedicine encounter. This comprehensive telemedicine reimbursement program exceeds current state and federal reimbursement levels as well as the telemedicine reimbursement commitments of any other private health plan in California.

Acceptance of telemedicine as a health care delivery method, and specifically of BCC's Telemedicine Program, has been noted in the following ways:

- Steady increase in telemedicine utilization throughout the network each year.

- Successfully providing access to a specialist encounter while maintaining care management locally for the patient – with only 3% of all telemedicine encounters requiring an in-person follow-up with the specialist.

- Receiving high satisfaction assessments from members, rural providers and specialists alike – with "Agree" or "Strongly Agree" ratings from 85-95% for all three surveyed groups.

The SSB division, in partnership with other BCC product lines, is expanding the Telemedicine Program to other rural patient populations including the California Public Employees Retirement System (CalPERS) rural membership.

More information about this innovative approach to improving access can be found at www.bluecrossca.com/telemedicine.

Cultural and Linguistics Program –

BCC is committed to effectively and efficiently providing culturally and linguistically appropriate services to its diverse and limited English proficiency membership by providing members with interpreter services, translated and low reading level materials and culturally appropriate health care.

The BCC SSB Cultural and Linguistics Program addresses related member rights and needs, the importance of maintaining appropriate multi-lingual and cultural internal staffing, and provider networks.

Through this program, member materials are translated into 11 languages that include Arabic, Armenian, Khmer, Chinese, Farsi, Hmong, Korean, Russian, Spanish, Tagalog and Vietnamese, and are written at the 4th to 6th grade reading level. BCC sends "new member" kits to members in one of the above languages as indicated on the membership file. Members may also call the Customer Care Center for assistance with materials that they are unable to read or understand.

BCC recruits bi-lingual staff for its Customer Care Center to service limited English proficient callers. For languages not supported by the call center, members and providers can access interpreter services through BCC for a three-way conference call or face-to-face meeting. In 2005, BCC provided sign language interpreters for almost 200 member encounters and approximately 15,000 telephone interpreter calls and 500 face-to-face interpreter encounters in the following languages:

Albanian, Amharic, Arabic, Armenian, Assyrian, Bahasa, Bengali, Burmese, Cantonese, Creole Haitian French, Croatian, Dari, Farsi, French, German, Greek, Gujarati, Hebrew, Hindi, Hmong, Hungarian, Ilocano, Italian, Japanese, Khmer, Korean, Kurdish, Laotian, Mandarin, Marshallese, Mien, Mongolian, Pashtu, Polish, Portuguese, Portuguese Brazilian, Punjabi, Romanian, Russian, Serbian, Sinhalese, Somalian, Somoan, Spanish, Swahili, Tagalog, Taiwanese, Tamil, Telegu, Thai, Tibetan, Tigrigna, Toishanese, Tongan, Turkish, Ukranian, Urdu, and Vietnamese.

From the inception of our first Medicaid program in 1994, SSB determined that serving the needs of its Medicaid members and providers required more than an "800" customer service number. As a result, we developed Community Resource Centers (CRCs). These local, storefront offices are located in the communities where our members reside and are easily accessible by public transportation. Currently there are 10 CRCs in California.

Our CRCs are multi-functional offices that house outreach specialists, quality management specialists, provider liaisons, and health promotion specialist. These individuals are empowered to educate members, reduce barriers to care, assist providers, assist with claims problems and issues, and build strong partnerships with community-based organizations that provide supportive services to our members to enhance program effectiveness. CRC staff is made up of local SSB advocates for members and providers. The staff represents the linguistics, ethnic, and cultural diversity of the community of which they serve.

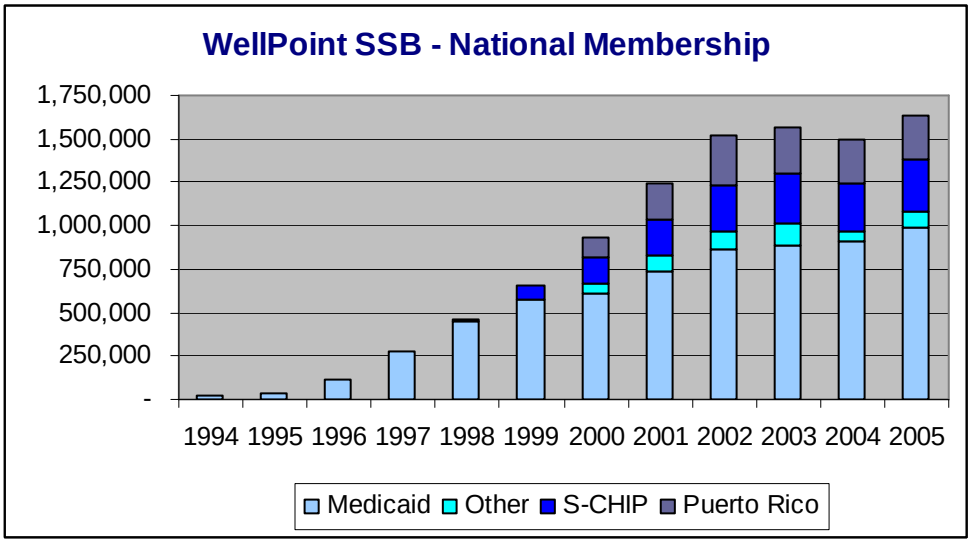
The CRC model facilitates communication about important health care services and provides a comfortable setting for members to visit with staff that speak their primary languages and are respectful and sensitive to their concerns. Members frequently go to the CRCs to attend workshops, receive health education materials, and obtain referrals to classes, housing services, childcare, food banks, Women, Infant, and Children (WIC) programs, and other social services.

Experience

Our customer-focused programs have made SSB the largest managed care provider for publicly funded healthcare in low-income and uninsured populations, with continued membership growth.

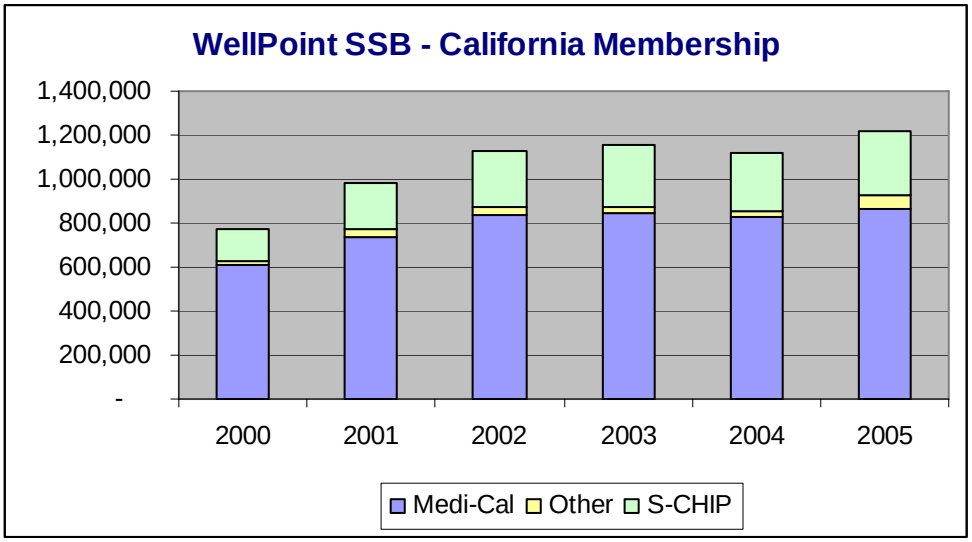
SSB has received numerous awards and accolades for the development and use of best practices in medical management, outreach, and innovative programs. Along with contract flexibility and vast experience in managed care for the public sector, SSB is well-qualified to meet the healthcare needs of low-income and uninsured population while managing the costs to meet budget requirements.

National Enrollment



California Programs

Blue Cross of California Medicaid (Medi-Cal)
Healthy Families (SCHIP)
Major Risk Medical Insurance Plan (MRMIP)
Access for Infants and Mothers (AIM)
County Medical Services Program (CMSP)



Undertaking 9:

An important premise of the approval of the Merger is that after the effective date of an Order of Approval for the change of control of BCC arising from the Merger, BCC will continue its historic role in serving the California marketplace, and its same marketplace approach.

Accordingly, after the effective date of an Order of Approval for the change of control of BCC arising from the Merger, and provided that the Merger is consummated, BCC will maintain its efforts in offering and renewing individual and small group products on the same basis as prior to the effective date of an Order of Approval for the change of control of BCC arising from the Merger, assuming the same market, economic and other conditions that currently exist.

BCC advises the Department that the conditions it considers relevant under this Undertaking 9 include, but are not limited to: the reimbursement and compensation BCC receives; the scope and nature of services it must provide; the nature and adequacy of its provider network in any relevant service area; the structure, composition and reimbursement payable to the health care providers supporting BCC's provision of products; and the substantive impact to the competitive environment resulting from changes to the legislative and regulatory framework applicable its operations or to individual or small group products.

Response:

BCC confirms its compliance with this Undertaking.

BCC continues to serve Californians by offering Individual and Small Group products. BCC maintains its efforts in offering and renewing Individual and Small Group products on the same basis as prior to the effective date of the Order of Approval. Between November 30, 2004 and December 31, 2005, no Individual or Small Group products were eliminated from our portfolio. In addition, Individual and Small Group underwriting decisions were based on the guidelines in effect prior to the Merger.

BCC's marketing strategy did not change between November 30, 2004 and December 31, 2005. BCC recognizes enrollment declined by 8% for Individual and Small Group products during this time. The decrease is based on market factors. During the same period that BCC experienced the decline in membership, BCC's affiliate BC Life & Health increased enrollment by 36% where products offer additional cost sharing options.

In order to maintain a competitive edge and meet consumer demands in the marketplace, modifications were needed to our Small Group products in 2005. Prior to notifying enrollees of these changes, BCC filed them with the Department and received regulatory approval. These changes did include cost sharing initiatives such as adding

or increasing deductibles. This reduced the rate increase that would have been necessary due to market trends.

The changes also included the implementation of a Centers of Expertise (COE) Network for Bariatric surgery in our Large and Small Group PPO products. BCC is also in the process of filing a Notice of Material Modification to offer a similar Individual benefit.

BCC views being overweight or obese as a very serious health challenge facing our members. By developing the Bariatric COE network we are fulfilling our customers' request for increased value and quality. Therefore the hospitals selected for the COE Network meet BCC's standards for quality, efficiency, and expertise in performing Bariatric surgeries. They provide enrollees with quality services at a reasonable total cost of care.

The hospitals are chosen based on quality measures that include:

- The volume of procedures performed by the hospital and surgeons;
- The readmission rate;
- Post-operative complications and mortality rates;
- The ability to demonstrate appropriate services, staffing, qualifications, applicable licenses, credentialing, accreditations and certifications;
- The approach to patient selection and programs for pre/post procedures; and
- An agreement to report data and willingness to work toward improving quality and efficiency in Bariatric surgery.

As mentioned above, the volume of procedures performed by a hospital is a key quality measurement. While Bariatric surgery is effective in reducing co-morbidities, there is risk of complications and death. Mortality rates are shown to be statistically less for programs performing greater than 100 surgeries annually. Patients that seek services in a COE are, therefore, statistically less likely to experience an adverse health outcome.

BCC's efforts to decrease the uninsured continue since the Merger. Some 2005 highlights from our Individual and Small Group Emerging Markets Department include:

- Creation of the Agent Incubator program to recruit and train agents to market to underserved communities. In 2005, BCC recruited and trained 10 bi-lingual agents that are located in specific geographical areas to educate and enroll the uninsured.

- Creation of the "Agent on Site" partnership program where licensed agents visit State Sponsored Business Community Resource Centers weekly to consult with potential Individual members.

- Creation of an Uninsured Tool Kit to instruct agents on how to educate the general public and counteract misinterpretations about the uninsured.

- Development of new arrangements with ethnic insurance agent organizations to recruit agents who are culturally aware and provide services within their own communities specifically to those who are uninsured. Some of these arrangements include the Latin American Agents Association (with chapters in Los Angeles, San Diego and Nevada), the Korean Agent Insurance Financial Professional Association (located in California), and the Chinese Agent Insurance Financial Professional Association (located in California).

- Increased access to multi-lingual customer service representatives to better support our members who require assistance in Spanish, Chinese and Korean.

- Translation of marketing materials such as brochures and applications into Spanish, Korean and Chinese.

- Creation of internet sites in Spanish, Chinese and Korean to provide information on how to better understand BCC products, locate an agent and further education on what BCC is doing in the community.

- Agent access to Chinese and Korean marketing representatives to assist with understanding of products. In addition, agents provide feedback to these marketing representatives on which materials should be translated to better serve our bi-lingual customers.

- Access to bi-lingual enrollment specialists to help potential members through the enrollment process.

- Partnership with agents to be on site at 300 state wide community outreach events.

- Participation in health fairs in ethnic communities.

- Collaboration with Consulates of Mexico, Guatemala, Peru, and Argentina focused on developing programs to provide coverage to their uninsured U.S. residents. In addition, BCC announced the use of Matricula Consular (non-resident ID) to allow for non-U.S. citizen use during the application process.

- Creation of new arrangements with various community and business organizations to help reach the uninsured. For example, BCC is working with the Small Business Administration and Latin Business Association to create business seminars to reach out to small businesses that are currently uninsured.

Undertaking 10:

After the Merger, BCC will maintain its organizational and administrative capacity, and unless the Department otherwise grants prior approval in writing, BCC will maintain the following non-exclusive list of functions in California:

(a) Clinical decision-making and California medical policy development, including: a Medical Director and other persons responsible for and having discretion with respect to health plan medical matters under the Knox-Keene Act; and the clinical personnel responsible for California medical decision-making and California medical policy, including determination of BCC's formularies;

(b) BCC's prior authorization and referral system;

(c) BCC's enrollee grievance system (including any appeal system);

(d) BCC's Independent Medical Review process (including the review process for experimental treatment);

(e) BCC's Provider Dispute Resolution Mechanism process; and,

(f) BCC accounting and finance personnel and activities performed by such personnel.

These aforementioned functions shall be conducted in conformity with California standards, including timeframes, as required by the Knox-Keene Act. BCC confirms to the Department that it intends to utilize the current leased headquarters building of WellPoint in Thousand Oaks, California, to occupy and serve as BCC's headquarters and to perform BCC health plan operations (recognizing that those operations are also performed at other California locations) and carry out other related activities.

Response:

BCC confirms its compliance with this Undertaking.

BCC has continued to maintain its organizational and administrative capacity, and BCC has continued to maintain the listed functions within the state of California. Additionally, an oversight process is in place in which the Human Resources Department identifies

relevant BCC associates that may be transferred from California or that may result in service being provided outside California.

BCC is utilizing the Thousand Oaks, California, facility as its headquarters and has filed a "Change of Principle Executive Office" from Woodland Hills to Thousand Oaks with the California Secretary of State.

Undertaking 11:

BCC agrees that it shall not remove, require the removal, permit, or cause the removal of BCC's books and records, as defined in the Knox-Keene Act, from California before filing a Notice of Material Modification and receiving the written approval from the Department in accordance with the Knox-Keene Act. Further, BCC agrees, that notwithstanding any failure or omission on its part, or that of an affiliate, to maintain BCC records in California, BCC agrees that it shall return to California, as may be required by the Department, within the timeframe specified by the Department, any such BCC books and records that have been removed from California without the Department's express, written permission.

Response:

BCC confirms its compliance with this Undertaking.

BCC has continued to maintain its books and records as defined by the Knox-Keene Act in California. All relevant documentation is either physically retained in California or stored electronically on systems platforms located inside or outside California and available for real-time retrieval in California.

Undertaking 12:

After the effective date of any Order of Approval for the Merger, and provided the Merger is consummated, if the reimbursement rates or methods for reimbursement under its administrative services agreement(s) with WellPoint, Anthem or any of their affiliates are changed, or if BCC decides to amend, change, or terminate or replace its administrative services agreement(s) with WellPoint, Anthem, or any of their affiliates, BCC will file the changes with the Department in a Notice of Material Modification in accordance with the requirements of the Knox-Keene Act, and not implement such changes until after the Department has issued an Order of Approval for such changes.

Response:

WellPoint and BCC confirm compliance with this Undertaking.

In 2005, three amendments to the WellPoint-BCC administrative services agreement were filed with, and approved by, the Department:

Date Filed	Description of Amendment	Date Approved
July 25, 2005	IT services obtained from IBM	August 29, 2005
August 5, 2005	Provider call center services obtained from APAC	November 18, 2005
August 12, 2005	Claims services obtained from Accenture	December 12, 2005

Undertaking 13:

After the effective date of any Order of Approval for the Merger, and provided the Merger is consummated, if BCC decides to amend, change, terminate or replace its tax sharing agreements, BCC will file any changes to those tax sharing agreements with the Department in a Notice of Material Modification in accordance with the requirements of the Knox-Keene Act, and not implement such changes until after the Department has issued an Order of Approval for such changes.

Response:

WellPoint and BCC confirm compliance with this Undertaking.

In 2005, no amendments to the BCC tax sharing agreements were required or filed with the Department.

Undertaking 14:

BCC represents to the Department that it anticipates that, for the Merger Debt Period, the percentage of BCC's administrative costs to premium revenues (as reported in Report #2, Lines 1, 4, 5, and 32, respectively, of the Quarterly Financial Report filed with the Department by BCC) will not exceed 13.31%, which reflects the average of the annual percentage that BCC's administrative costs bear to its premium revenues reported for the years 2001-2003, calculated as follows:

(a) In 2001 BCC reported $7,134,784,000 in premium revenue and incurred $1,009,971,000 in administrative costs, representing 14.16%.

(b) In 2002 BCC reported $8,889,180,000 in premium revenue and incurred $1,185,397,000 in administrative costs, representing 13.34%.

(c) In 2003 BCC reported $9,958,548,000 in premium revenue and incurred $1,238,449,000 in administrative costs, representing 12.44%.

The average annual percentage that administrative costs bear to total premium revenues for the years 2001-2003 equals 13.31%.

In the event BCC reasonably anticipates that its administrative costs will exceed 13.31% during this period, then BCC shall promptly report in writing to the Department the following:

(a) The amount of the excess;

(b) The reasons for the increase in costs (for example, changes in commission structure);

(c) Whether the change is in any way, directly or indirectly, related to the implementation of the Merger; and,

(d) Demonstrate to the Department's reasonable satisfaction that BCC's administrative costs are not excessive within the meaning of section 1378 and Rule 1300.78 of the Knox-Keene Act.

Response:

BCC confirms its compliance with this Undertaking.

Appropriate policies and procedures are in place within BCC's Finance Department to monitor the administrative cost to premium revenue ratio to ensure it remains below the established threshold of 13.31% (as defined above).

To date, BCC's administrative cost to premium revenue ratio has remained below the 13.31% level:

Quarter To Date	Administrative Cost to Premium Revenue Ratio
1st quarter 2005	11.06%
2nd quarter 2005	11.06%
3rd quarter 2005	12.51%
4th quarter 2005	10.66%

Undertaking 15:

BCC undertakes to implement the Patient Advocate Improvement Program (PAI Program), which is a comprehensive effort by BCC to bring demonstrable improvements to the quality of care delivered to BCC's members through increased dedication of financial and staff resources to BCC's quality improvement programs.

Initial goals of the PAI Program are to improve any ratings of "one star" BCC has received in the Quality of Care Report Card 2003-2004 (Report Card) issued by the Office of the Patient Advocate, as well as to address any low scores received on HEDIS (Health Plan Employer Data and Information Set) ratings, through tools, approaches, and best practices in the areas of disease prevention, screening, health surveillance, intervention, and evaluation. Activities will be evidence-based and focus on best practices in medical care access and delivery. BCC will maintain and continually improve current initiatives underway in the areas of childhood immunizations, breast and cervical cancer screening, pre- natal and post-natal care, controlling blood pressure, asthma management, diabetes treatment, and coronary artery disease. The PAI Program will also include new health care initiatives around the following:

(a) Mental Health - full implementation of California's mental health parity law, including significant improvements in identification and treatment of depression, and in the seven and 30 day ambulatory follow-up of any BCC patient admitted with a diagnosis relating to mental health or disease, to a California hospital to assure that the physicians' discharge instructions are being followed, and to arrange for coordination of the patients' follow-up with the physicians/providers.

(b) Obesity Initiatives - full participation in the Governor's initiatives on obesity prevention, treatment, and management. As one aspect of its participation, BCC will develop and implement a health improvement program for childhood obesity that will provide education, support, and counseling to families with children who are obese. This program will include outreach to community centers and elementary schools. Further, BCC will develop and introduce a Center of Expertise (COE) network for Bariatric surgery for appropriate BCC members. This Bariatric COE will be targeted to improve both the quality of care and improve the coordination of care with the patients' physicians.

(c) Chlamydia Screenings – activities that significantly improve the percentage of members appropriately screened and treated for Chlamydia.

(d) Inappropriate Use of Antibiotics – active promotion of appropriate utilization of antibiotics, focusing initially on those California counties or physician practices which have been identified as having high levels of inappropriate use of antibiotics.

Recognizing that the quality of care delivered to BCC members is dependent upon the performance of BCC's participating professional practitioners, the PAI Program calls for expansion of BCC's Physician Quality and Incentive Programs (PQIP) to ensure that physician bonuses payable under those programs are utilized to appropriately provide incentive to physicians and professional practitioners to focus on the areas where BCC does not score the highest rating on the Report Card. The PAI Program will develop a method intended to properly provide incentive to health care professionals and professional medical organizations, such as medical groups and IPAs, that do not participate in BCC's pay for performance programs.

To that end, BCC will convene a special advisory committee comprised of members of its Physician Advisory Committee and an invited representative from the DMHC to review the PAI Program. On or before December 31, 2004, that advisory committee shall prepare a report to BCC and the Department evaluating at a minimum the following, with a view to improving BCC's scores on the Report Card:

(a) BCC's quality improvement programs;

(b) How to expand the number and type of providers involved in the programs; and,

(c) The areas of those programs the committee determines require revision or additional resources.

BCC will promptly implement the recommendations of the advisory committee. If BCC in good faith believes that a recommendation of the advisory committee is not in the best interests of BCC's members, it shall disclose to the Department, within 30 days of receipt, the advisory committee's recommendations, the basis of that decision, along with its alternative improvement recommendations to accomplish the goals stated in this Undertaking 15.

BCC anticipates that its expenditures for the areas addressed by the PAI Program in 2004 will exceed such expenditures in 2003 by 73%. In addition to the expenditures contemplated by the preceding sentence, Anthem and AHC undertake to cause BCC to increase financial expenditures supporting BCC's quality improvement programs in California by at least fifty percent (50%) from current (2004) levels by the end of the Merger Debt Period. Quality improvement programs shall include, for example, disease management programs, programs advancing patient safety, programs promoting wellness, and efforts to improve scores on measures related to clinical quality. Quality improvement programs shall be designed and implemented in a manner that does not require any uncompensated services by providers participating in such programs.

In the event BCC's scores of "one star" on the Report Card are not improved in the next Report Card or it receives a new "one star" issued by the Office of the Patient Advocate in 2006, BCC undertakes to submit, within 90 days of the publication of the 2005-2006 Quality of Care Report Card, a written report to the Department prepared by an independent expert advisor acceptable to the Department which will make recommendations as to the actions BCC should take to ensure that the appropriate improvement is forthcoming. BCC will promptly implement the recommendations of the

independent expert advisor and file a supplemental written report demonstrating its implementation of the corrective action strategies within six (6) months of the receipt of the independent expert advisor's recommendations.

In the event BCC has not implemented the corrective action strategies recommended by the independent expert advisor, a rebuttable presumption shall arise that BCC has not complied with this Undertaking 15. BCC may rebut this presumption by demonstrating to the Department's reasonable satisfaction (i) that the development is not the result of any failure by BCC to take any recommended action, (ii) that the development is not related to the implementation of the Merger, or (iii) that, notwithstanding the development, BCC has in fact demonstrably improved quality of the type that was the subject of the recommendations.

Response:

BCC confirms its compliance with this Undertaking.

BCC's 2005 Patient Advocate Improvement Program progress report entitled "Ensuring Quality Care For Our Members," was submitted to the Department on June 30, 2005 and updated on March 1, 2006.

Undertaking 16:

BCC and Anthem undertake to implement the Investment in a Healthy California Program ("IHCP"), as set forth in Exhibit A attached hereto and incorporated herein by reference. BCC advises the Department that it considers the scope of this Program to apply to BCC's affiliate, Golden West Health Plan, and BC Life. Promptly following completion of the Merger, BCC and Anthem will meet and consult with the California Business, Transportation & Housing Agency ("BT&H"), Department and the California Department of Insurance to (i) discuss the appropriate type, scope and range of investments to be made under the IHCP, including community investments, (ii) secure advice and feedback regarding the selection of independent investment advisors as contemplated by Exhibit A and as acceptable to the BT&H and Department, (iii) discuss the composition of the advisory board contemplated by Exhibit A, including, if eligible, the inclusion of a representative of BT&H on such board, and (iv) discuss the development of an exemption process if sufficient qualifying assets cannot be identified by the end of the third year of the IHCP.

Response:

BCC confirms its compliance with this Undertaking and Exhibit A and has established the Investment in a Healthy California Program (IHCP).

BCC invested significant time and resources into the myriad tasks necessary to establish a program of this magnitude. All of the Program documents (e.g., program description, objectives, roles and responsibilities, governing documents, investment policies and procedures) were developed in a collaborative effort with the various state regulatory agencies. In addition, Ennis Knupp & Associates, an outside expert with experience in establishing similar programs, was retained at the expense of BCC to assist with the development of the overall structure.

A twelve-person Advisory Committee was established to provide strategic direction and oversight to the IHCP. Nominations were solicited from various agencies and consortia representing foundations, clinics and hospitals. Twelve candidates were selected to serve as Advisory Committee members. The members represent a balance between type of entity (clinics, hospitals, foundations/other), target population served (low-income and/or rural), and geographical area represented (Northern, Central and Southern California). The Department of Managed Health Care and the California Department of Insurance provided input on the composition of this Committee, and a number of state regulatory agencies participate in the IHCP and attend Advisory Committee meetings without having a voting status.

McDonnell Investment Management, LLC, was selected to serve as the IHCP's investment advisor. This firm provides significant experience and research expertise that is crucial to the success of the Program. McDonnell is a registered investment advisor, providing customized investment management services to institutions, private clients and mutual fund companies. As an investment advisor, McDonnell provides professional portfolio management and related investment management services and receives an investment management fee for such services. McDonnell is not a broker-dealer and does not receive compensation (i.e., commissions) associated with the purchase or sale of individual securities. McDonnell is 100% employee owned (not owned by a bank, insurance company or other financial service company) and is one of the largest independent investment management firms in the country that specializes in institutional fixed income management.

After the infrastructure for the Committee was established, as described above, the inaugural meeting of the IHCP Advisory Committee was held on September 16, 2005. This meeting served as the official launch date of the IHCP and all corresponding guidelines, policies and procedures. The 20-year life of the IHCP began on the date of the first meeting of the Advisory Committee rather than the date of the approval of the Merger, thus ensuring that low-income urban and rural underserved Californians received the benefits of the Program for the full 20-year term outlined in Exhibit A.

BCC and the IHCP Investment Advisors have been actively pursuing investments that qualify under the Program. A number of investments have been purchased into the IHCP Investment Portfolio totaling approximately **$75 million of the $200 million goal**, and BCC anticipates that it will be fully invested by the end of the third year of the IHCP.

A significant amount of time and effort has been expended by BCC and the Investment Advisors to work with and educate the health care, investment banking and financing communities on the existence and goals of the Program. We also contacted a number of state agencies such as the California Office of Statewide Health Planning & Development (Cal-Mortgage Division) and the California Health Facilities Financing Authority, as well as the joint powers authority California Statewide Communities Development Authority (CSCDA), to solicit their support and involvement in the Program.

Investment Community contact highlights include meetings with municipal dealers and investment banking firms to make them aware of IHCP's interest in target healthcare investments. The Investment Advisors will also work to help structure investments for qualification in the Program. This might include private placements, bond pools or direct loan programs, credit enhancements, etc.

While not an exhaustive list of contacts, it exemplifies the breadth and scope of our efforts to involve constituents from both the public and private sectors to achieve true gains in improving health care for low income and rural underserved Californians.

It is important to note that nearly all of the contacts expressed their interest in working with BCC to identify or develop investment opportunities, and a number of potential partners in the financing community have indicated their ability and desire to aggressively identify potential investments. In addition, BCC is working closely with these institutions to explore alternative financing arrangements that both meet the established criteria of the Program as well as complement traditional bond offerings.

Again, BCC confirms its commitment to be fully invested by the end of the third year of the IHCP and is confident that this goal will be achieved.

Undertaking 17:

BCC shall provide a written report to the Department at the end of the first, second, and third years of a three-year initiative under which the WellPoint Foundation has agreed to commit $5 million in each of three years (for a total of $15 million) to its Insuring Healthy Futures initiative aimed at increasing Medi-Cal and Healthy Families enrollment in California. The Insuring Healthy Futures initiative, which will support and provide outreach services for Healthy Families and Medi-Cal enrollment activities and will be conducted in full cooperation with the California Department of Health Services and the Managed Risk Medical Insurance Board, is aimed at providing tangible health care benefits to Californians, as opposed to the development of policy or the conduct of research.

The WellPoint Foundation will work with the United States Department of Health and Human Services, the California Department of Health Services, and the Managed Risk

Medical Insurance Board to facilitate securing of any available matching funds, and thereby maximize the benefits to Californians in structuring the Program. The reports provided to the Department will specify the sums expended, will summarize the number of previously uninsured persons enrolled in Medi-Cal or Healthy Families as a result of the Insuring Healthy Futures initiative, and will make recommendations on further steps that can be taken to address the issue of the uninsured.

Response:

WellPoint confirms its compliance with this Undertaking. The WellPoint Foundation issued two $5 million payments on May 2, 2005 and July 25, 2005. The third and final $5 million installment is scheduled for payment on July 31, 2006.

Undertaking 18:

BCC acknowledges receipt of the Preliminary Report from the Department dated July 14, 2004, regarding the Department's Routine (Financial) Examination of BCC for the period ended September 30, 2003, together with the related supplemental review, and undertakes promptly to develop a corrective action plan to the Department's satisfaction to address the matters raised in the Preliminary Report and to adopt the recommendations contained therein (unless any such recommendations have already been addressed by these Undertakings). The recommendations address such matters as the development by BCC of supplemental procedures for out-of-state claims, for reporting of tangible net equity, for reporting of claim expenses by category, for evaluating the impact of the Merger, for monitoring the financial condition of providers, for providing appropriate notices to terminated subscriber groups, and for possible closing of blocks of business.

Response:

BCC confirms its compliance with this Undertaking.

BCC's response to the July 14, 2004 Preliminary Report was filed with the Department on October 5, 2004.

The response addressed all matters raised in the Preliminary Report, including BCC's adoption of the Department's recommendations and the implementation of appropriate Corrective Action Plans.

Undertaking 19:

In regard to the topic of retroactive cancellation for failure to pay premium identified in the BCC Preliminary Report dated July 14, 2004, regarding the Department's Routine (Financial) Examination of BCC, BCC will file a semi-annual written report evidencing, to the satisfaction of the Department, that:

(a) BCC has timely issued, prior to termination of enrollee coverage, a notice of cancellation to all group subscribers cancelled for nonpayment of premiums in accordance with section 1365 and Rule 1300.65 of the Knox-Keene Act;

(b) BCC has an adequate mechanism (processes, procedures, and accountability) to timely verify that employer groups to whom BCC has contractually delegated responsibility for mailing the notice of cancellation required by section 1365 and Rule 1300.65 of the Knox-Keene Act have fulfilled the delegated obligation; and,

(c) BCC has timely issued, prior to termination of enrollee coverage, a notice of cancellation to all individual subscribers cancelled for nonpayment of premiums in accordance with section 1365 and Rule 1300.65 of the Knox-Keene Act.

Such reporting will commence no later than March 31, 2005, for the period ending December 31, 2004, and continue up to and including the period ending June 30, 2007. Each semi-annual report will include evidence that BCC has contacted, at a minimum, a sampling of affected subscribers, including individual subscribers under group contracts, to verify receipt of such notice.

Response:

BCC confirms its compliance with this Undertaking. Reports were filed with the Department on March 31, 2005 and November 3, 2005.

Undertaking 20:

After the effective date of any Order of Approval for the Merger and provided the Merger is consummated, and until BCC has adopted policies and procedures regarding the closing of blocks of business (as defined in section 1367.15 of the Knox-Keene Act) which are approved by the Department, if BCC decides to close a block of business (as defined in section 1367.15 of the Knox-Keene Act) of any plan contract, except for those enumerated in section 1367.15(j) of the Knox-Keene Act, BCC will file the proposed transaction with the Department in a Notice of Material Modification and not implement such change(s) until after the Department has issued an Order of Approval for such

change(s). Notwithstanding the foregoing, after the effective date of any Order of Approval for the Merger and provided the Merger is consummated, if BCC decides to close a block of business (as defined in section 1367.15 of the Knox-Keene Act) of any plan contract, BCC shall provide the Department with 60 calendar days advance written notice of such decision.

Response:

BCC confirms its compliance with this Undertaking. BCC has adopted written policies regarding the closure of blocks of business as required by the Undertakings has not closed any blocks of business during the period covered in this report.

Health & Safety Code section 1367.15 refers to Individual health plans and plans of employer groups with fewer than two eligible employees.

BCC Individual and Small Group lines of business continued to offer the same plan benefit portfolio between November 30, 2004 and December 31, 2005 as marketed prior to the Merger.

Further, BCC believes that the benefit choices we offer individuals and groups is focused on market trends and their specific needs. To maintain our success, we actively review and market products to meet consumer demand.

Undertaking 21:

BCC acknowledges receipt of the Department's July 7, 2004, notice of follow-up review of outstanding deficiencies identified in the February 18, 2003, Final Report of the Routine Medical Survey of BCC, and undertakes to provide to the Department all documentation required and to take all steps necessary to implement a corrective action plan to address the issues identified in the follow-up review.

Response:

BCC confirms its compliance with this Undertaking.

BCC's response to the July 7, 2004 notice of follow-up review of outstanding deficiencies identified in the February 18, 2003 Final Report of the Routine Medical Survey was filed with the Department on July 22, 2004. The response addressed all matters raised in the Notice, including BCC's implementation of an appropriate Corrective Action Plan.

In addition, BCC undertakes to retain an independent expert advisor acceptable to the Department who will review BCC's compliance, from January 1, 2004, to the effective date of the Merger, regarding the topics of the nine (9) deficiencies listed in the

Department's July 7, 2004, notice of follow-up review. The advisor will make written recommendations as to the actions, if any, BCC should take to ensure that BCC is in compliance with the Knox-Keene Act regarding those topics. BCC will submit to the Department a copy of the independent advisor's report, within ten (10) days of BCC's receipt from the advisor. BCC will promptly implement the recommendations of the advisor unless it in good faith believes that a recommendation is erroneous or not in the best interests of BCC's members (in which case BCC will advise the Department of what it in good faith considers appropriate alternative measures. BCC will file a supplemental report with the Department within two (2) months of receipt of the independent expert advisor's recommendations, advising the Department of BCC's actions with regard to the advisor's recommendations.

Response:

BCC confirms its compliance with this Undertaking.

An on-site audit report prepared by Lana Cotner, RN, MBA, CPHQ, the independent expert advisor approved by the Department, was filed with the Department by BCC on April 29, 2005. The report included Cotner's recommendations as to the actions BCC needed to take to correct the 7 identified deficiencies. Note: The Department's Notice identified 7 deficiencies, not 9 deficiencies as indicated in the Undertaking language.

BCC filed a report with the Department on June 30, 2005 that listed all of Cotner's recommendations, BCC's agreement with those recommendations, and BCC's actions taken to correct the 7 identified deficiencies.

Further, BCC acknowledges receipt of the Department's 2004 Preliminary Report of the non-routine medical survey of Blue Cross of California, Behavioral Health Division, concerning the survey conducted December 4 and 5, 2003. BCC undertakes to develop a corrective action plan, to the Department's satisfaction, to address the deficiencies identified in the Preliminary Report and to adopt the recommendations contained therein. The deficiencies are listed under Deficiency # 1 (Grievances, Denials, Appeals, and Independent Medical Review concerning AB 88 Mental Health Parity issues) and Deficiency # 2 (Emergency Service Claims issues concerning AB 88 Mental Health Parity Issues).

Response:

BCC confirms its compliance with this Undertaking.

Clinical deficiencies: BCC's responses to the 2004 Preliminary Report were filed with the Department on September 11, 2004, July 18, 2005, and September 2, 2005. The responses addressed all deficiencies raised in the Preliminary Report, including BCC's adoption of the Department's recommendations and the implementation of appropriate Correction Action Plans.

Operational deficiencies: BCC's responses to the 2004 Preliminary Report were filed with the Department on January 6, 2005 and October 24, 2005. The

responses addressed all deficiencies raised in the Preliminary Report, including BCC's adoption of the Department's recommendations and the implementation of appropriate Corrective Action Plans.

Undertaking 22:

During the Merger Debt Period, BCC shall file annually with the Department a report demonstrating compliance with each of the Undertakings set forth herein and describing what it believes to be the benefits to Californians that have ensued from the Merger. Such reports are in addition to, and do not supersede, any other reports the Director may require pursuant to the Knox-Keene Act, including reports related to a financial examination or a medical survey conducted pursuant to sections 1382 and 1384 of the Knox-Keene Act.

Response:

BCC confirms its compliance with this Undertaking by the submission of this Annual Compliance Report.

Undertaking 23:

BCC undertakes to promptly pay for the costs arising from activities of the Department, including any necessary out-of-state travel, verifying and auditing compliance by BCC with each of the Undertakings set forth herein. Such activity will be conducted, at the Department's discretion, in addition to any of the surveys, audits, examinations, or inquiries required or permissible under the Knox-Keene Act.

Response:

BCC confirms its compliance with this Undertaking.

The Department has been advised to forward any and all Undertakings-related audit billings to the attention of BCC's Finance Manager in Thousand Oaks, California. The appropriate policies and procedures are in place to ensure such billings are promptly reviewed and approved and that payment is issued within thirty (30) days of receipt.

Undertaking 24:

BCC acknowledges and recognizes the concerns expressed by members of the public in the course of the Department's consideration of this Notice of Material Modification

and acknowledges the grounds for disciplinary action by the Director of the Department set forth in section 1386 of the Knox-Keene Act, specifically sections 1386(b)(7) and (9) of the Knox-Keene Act, in the event that inappropriate actions or conduct by BCC were to occur.

Response:

BCC confirms its acknowledgement of this Undertaking.

Undertaking 25:

BCC and Anthem undertake to promptly provide the Department with copies of the written agreements of the executive officers of WellPoint and BCC referred to in correspondence to the Department dated July 23, 2004, and which correspondence shall be deemed to be incorporated herein.

Response:

WellPoint and BCC confirm compliance with this Undertaking.

Copies of the written agreements were provided to the Department in July 2003 and refiled on February 11, 2005.

Undertaking 26:

BCC, WellPoint, and Anthem undertake to provide to the Department, within two (2) business days following the execution of these amended Undertakings, amended Undertakings applicable to BCC's specialized health care service plan affiliate, Golden West Health Plan, Inc. (GWHP). Such amended Undertakings shall reflect all of the terms and conditions contained in these Undertakings that have any applicability to GWHP. BCC, WellPoint, and Anthem undertake to cause GWHP to enter into such amended Undertakings.

Response:

WellPoint and BCC confirm compliance with this Undertaking.

Amended Undertakings were filed with the Department on December 7, 2004.

Undertaking 27:

The Undertakings set forth herein shall be enforceable to the fullest extent of the authority and power of the Director of the Department under the provisions of the Knox-Keene Act, including all civil, criminal, and administrative remedies (such as Cease and Desist Orders, freezing enrollment, and assessment of fines and penalties). The enforcement remedies enumerated in this Undertaking 27 are not exclusive and may be sought and employed in any combination deemed advisable by the Director of the Department to enforce these Undertakings.

Response:

WellPoint and BCC confirm acknowledgement of this Undertaking.

Undertaking 28:

The Undertakings set forth herein shall be subject to the following terms and conditions:

(a) Binding Effect. The Undertakings set forth herein shall be binding on Anthem, AHC, and BCC and their respective successors and permitted assigns. If Anthem, AHC, or BCC fail to fulfill their obligations to the Department as provided under the Undertakings set forth herein, Anthem, AHC, and BCC stipulate and agree that the Department shall have the authority to enforce the provisions of these Undertakings in a California court of competent jurisdiction.

(b) Governing Law. The Undertakings set forth herein and their validity, enforcement, and interpretation, shall for all purposes be governed by and construed in accordance with the laws of the State of California.

(c) Invalidity. In the event any Undertakings or any portion of any Undertaking set forth herein shall be declared invalid or unenforceable for any reason by a court of competent jurisdiction, such Undertaking or any portion of any Undertaking, to the extent declared invalid or unenforceable, shall not affect the validity or enforceability of any other Undertakings, and such other Undertakings shall remain in full force and effect and shall be enforceable to the maximum extent permitted by applicable law.

(d) Duration. The Undertakings set forth herein shall become effective upon the effective date of the Merger, and except as to those provisions of the Undertakings that contain separate termination provisions, shall remain in full force and effect until terminated by Anthem, AHC, and BCC with the written consent of the Department.

(e) Third Party Rights. Nothing in the Undertakings set forth herein is intended to provide any person other than Anthem, AHC, BCC, WellPoint, the Department, and their respective successors and permitted assigns with any legal or equitable right or remedy with respect to any provision of any Undertaking set forth herein.

(f) Amendment. The Undertakings set forth herein may be amended only by written agreement signed by Anthem, AHC, and BCC and approved or consented to in writing by the Department.

(g) Assignment. No Undertaking set forth herein may be assigned by Anthem, AHC, or BCC in whole or part without the prior written consent of the Department.

(h) Specific Performance. In the event of any breach of these Undertakings, Anthem, AHC, and BCC acknowledge that the State of California would be irreparably harmed and could not be made whole by monetary damages. It is accordingly agreed that Anthem, AHC, and BCC will waive the defense in any action for specific performance that a remedy at law would be adequate, and the Department should be entitled to seek an injunction or injunctions to prevent breaches of the provisions of these Undertakings and to seek to enforce specifically the terms and provisions hereof. The Department's right to seek an injunction does not supersede the remedies available to the Director described in Undertaking 27.

Response:

WellPoint and BCC confirm acknowledgement of this Undertaking.

Undertaking 29:

In addition to the Undertakings executed above, BCC reasserts and reaffirms each and every Undertaking in existence prior to the execution of this document, and agrees to abide by and conform to each and every prohibition and condition, unless specifically superseded by the Undertakings executed below.

Response:

WellPoint and BCC confirm compliance with this Undertaking.

Exhibit A (Undertaking 16)

INVESTMENT IN A HEALTHY CALIFORNIA PROGRAM (IHCP Program)

Executive Summary

Blue Cross of California (BCC) agrees to commit $100 million or 2% of BCC's total investment portfolio in funding for a new investment program (the IHCP Program) to increase the level of capital in safe and sound investments providing fair returns to investors and social benefits to underserved communities. Modeled after a successful collaboration between the health/insurance industry, community development organizations, community advocates, and State regulators, this 20-year commitment by BCC, effective upon completion of the WellPoint/Anthem Merger, is expected to strengthen access to health care resources to low-income urban and rural underserved Californians.

IHCP Program Investments

The IHCP Program will provide a means to identify and foster investment opportunities that currently are underinvested in by traditional sources of investment capital. Investments under the IHCP Program (IHCP Investments) will increase capital and funding to low-income urban and rural underserved California communities, to address health care infrastructure that makes health care resources more accessible and improves the quality of care.

The IHCP will, in addition to the substantial direct investments by BCC, provide leadership in increasing the level of health plan capital in safe and sound investments that provide fair returns to investors and social benefits to underserved communities. A critical requirement is that IHCP Investments generate a competitive rate of return and that the safety and preservation of capital invested is maintained for the benefit of health plan members. Accordingly, IHCP Investments must be consistent with applicable legal requirements and prudent investment practices for Knox-Keene health care service plans, including the following:

1. IHCP Investments must, at the time of investment, be rated as "investment grade" by two or more nationally recognized rating agencies (unless exempted by action of BCC, in consultation with the advisory committee described below and the Department of Managed Health Care (DMHC).

2. IHCP Investments must be fully qualified assets for purposes of BCC's financial statements.

3. In order to assure appropriate diversification, no more than $10 million of IHCP Investments may be securities of or investments in a single issuer (unless the issuer is, or the security or investment is guaranteed by, an instrumentality of the United States or California state governments), and no more than $5 million of IHCP Investments may be in a single security or investment vehicle (unless the issuer is, or the security or investment vehicle is guaranteed by, an instrumentality of the United States or California state governments).

Target Amount of IHCP Investments

Following the CalPERS model of setting a goal of 2% of its investment portfolio for investments in California's underserved communities, BCC will, subject to the availability of qualified IHCP Investments, make IHCP Investments which in the aggregate equal two percent of the value of the investment portfolio of BCC, as shown on its annual financial statements filed with the DMHC. The initial commitment by BCC is $100 million, which is expected to be phased in as IHCP Investments are identified. The commitment to make such investments will expire after 20 years.

Based on an average maturity of an investment equal to five to six years, and given that BCC is expected to grow over time, BCC anticipates that several hundred million dollars of IHCP Investments will be made over the 20-year life of the program.

Implementation and Timetable

Appropriate IHCP Investments will be identified by an advisory committee comprised of representatives or designees of (1) clinics and other health care providers that serve low income or uninsured urban Californians, (2) clinics and other health care providers that serve low income or uninsured rural Californians, (3) if eligible, the California Department of Health Services and the Managed Risk Medical Insurance Board, and (4) charitable entities that support such clinics and other providers, who will be assisted by qualified and experienced independent investment advisors. The members of the advisory committee would be designated from time to time by BCC, in consultation with the DMHC. The independent investment advisors would be firms retained and compensated by BCC and acceptable to the DMHC.

DMHC anticipates being in a position to consider specific IHCP Investments beginning by the first quarter of 2005, and it expects to phase in IHCP Investments as they are identified with the goal of having the initial $100 million commitment fully invested by the end of the third year of the IHCP. In furtherance of those objectives, promptly following the Merger of WellPoint and Anthem, the IHCP advisory committee would be established and, in consultation with the independent investment advisors, formulate a plan for carrying out its responsibilities, develop appropriate application procedures, guidelines and policies for the program, and establish a more detailed timetable for the IHCP. BCC will work in cooperation with the DMHC to schedule an organizational

meeting to be held within 60 days after the closing of the Merger, for the purpose of arranging the administrative details to establish the IHCP advisory committee, identify independent investment advisors, and otherwise take actions and adopt policies, procedures and guidelines to implement the IHCP.

BCC will provide regular reports to the IHCP Program advisory committee and, in connection with each annual financial statement filed with the DMHC, will provide the DMHC with reports on progress made toward investing in IHCP Investments.

In the event that the DMHC determines to establish a program like the IHCP in which all California health plans and health insurers could participate, BCC will cooperate in establishing the new program and in conforming the IHCP to, and participating in, the newly established industry-wide program.

ATTACHMENT 1

Monthly Undertakings Status Report – November 2005

ATTACHMENT 2

Undertaking 6 Certification

(Fully executed document is on file with
the Department of Managed Health Care)